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HUAZHONG IN-VEHICLE HOLDINGS COMPANY LIMITED
華 眾 車 載 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6830)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB830,695,000 for the six months ended 30 June 2017, representing an increase of approximately 3.0% when compared to the corresponding period in 2016.

- Profit attributable to owners of the parent amounted to approximately RMB53,058,000 for the six months ended 30 June 2017, representing an increase of approximately 52.8% when compared to the corresponding period in 2016.

- Gross profit margin was 28.2% for the six months ended 30 June 2017 (30 June 2016: 26.7%).

- Basic earnings per share attributable to the owners of the parent was approximately RMB2.99 cents for the six months ended 30 June 2017 (30 June 2016: approximately RMB1.97 cents).

- The Board has resolved to declare an interim dividend of HK0.3536 cent (equivalent to approximately RMB0.2999 cent at exchange rate 1: 0.84823) per ordinary share of the Company for the six months ended 30 June 2017 (30 June 2016: Nil).

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors ("**Directors**") of Huazhong In-Vehicle Holdings Company Limited (the "**Company**") announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**830,695**	806,173
Cost of sales		**(596,206)**	(591,302)
Gross profit		**234,489**	214,871
Other income and gains	*5*	**16,127**	16,409
Selling and distribution costs		**(59,351)**	(55,481)
Administrative expenses		**(101,017)**	(96,415)
Other expenses		**(1,777)**	(5,509)
Operating profit		**88,471**	73,875
Share of profits/losses of joint ventures		**5,093**	(2,086)
Finance income	*6*	**3,729**	3,705
Finance costs		**(21,787)**	(21,178)
PROFIT BEFORE INCOME TAX EXPENSE	*7*	**75,506**	54,316
Income tax expense	*8*	**(19,789)**	(17,136)
PROFIT FOR THE PERIOD		**55,717**	37,180

	Notes	For the six months ended 30 June **2017** *RMB'000* **(Unaudited)**	2016 *RMB'000* (Unaudited)
Attributable to:			
Owners of the parent		**53,058**	34,721
Non-controlling interests		**2,659**	2,459
		55,717	37,180
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
— For profit for the period		**RMB0.0299**	RMB0.0197
Diluted			
— For profit for the period		**RMB0.0299**	RMB0.0195

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**55,717**	37,180
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**730**	384
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**730**	384
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**56,447**	37,564
Attributable to:		
Owners of the parent	**53,788**	35,105
Non-controlling interests	**2,659**	2,459
	56,447	37,564

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	**30 June 2017 RMB'000 (Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**596,550**	587,074
Investment properties		**32,623**	33,876
Prepaid land lease payments	*11*	**173,781**	173,399
Intangible assets		**4,010**	4,382
Investment in an associate		**16,816**	2,004
Investments in joint ventures		**139,963**	105,641
Prepayments for acquiring property, plant and equipment		**64,831**	55,927
Available-for-sale investments		**15,000**	15,000
Deferred tax assets		**15,397**	16,177
Total non-current assets		**1,058,971**	993,480
CURRENT ASSETS			
Inventories		**336,801**	295,575
Trade and notes receivables	*12*	**533,360**	568,277
Prepayments and other receivables		**168,268**	166,407
Due from related parties		**75,780**	137,122
Pledged deposits		**138,107**	87,516
Cash and cash equivalents		**224,070**	187,987
Total current assets		**1,476,386**	1,442,884

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and notes payables	*13*	**583,185**	590,648
Other payables, advances from customers and accruals		**191,800**	190,752
Interest-bearing bank borrowings		**650,204**	509,388
Due to the ultimate controlling shareholder		**3,443**	3,603
Due to related parties		**25,439**	51,085
Income tax payable		**47,996**	54,814
Total current liabilities		**1,502,067**	1,400,290
NET CURRENT (LIABILITIES)/ASSETS		**(25,681)**	42,594
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,033,290**	1,036,074
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings — non-current portion		**223,999**	282,332
Government grants		**8,519**	8,884
Deferred tax liabilities		**29,002**	29,212
Total non-current liabilities		**261,520**	320,428
Net assets		**771,770**	715,646

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**142,956**	128,587
Reserves		**594,362**	553,263
		737,318	681,850
Non-controlling interests		**34,452**	33,796
Total equity		**771,770**	715,646

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of RMB25,681,000 as at 30 June 2017, the financial statements have been prepared by the directors of the Company on a going concern basis.

In order to improve the Group's financial position, the directors of the Company have the following measures:

(i) as at 30 June 2017, the Group had unutilised credit facilities from banks of approximately RMB408,000,000; and

(ii) the directors continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations;

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of other measures in progress, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 30 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except in relation to the new and revised International Financial Reporting Standards ("**IFRSs**", which also include IASs and interpretations) as set out in note 3 that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements. The adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

3. ADOPTION OF NEW AND REVISED IFRSs

The following new and revised IFRSs, amendments and interpretations ("**New IFRSs**") are adopted for the first time for the current period's condensed interim financial statements:

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for unrecognized Losses*
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 12 Disclosure of Interests in other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tanks of air conditioning or heater units and other non-automobile products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations for the six months ended 30 June 2017 is set out in the following table:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**767,067**	744,348
Overseas	**63,628**	61,825
Total	**830,695**	806,173

(b) Non-current assets

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**1,008,258**	942,995
Overseas	**35,316**	34,308
Total	**1,043,574**	977,303

The non-current asset information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenues from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the six months ended 30 June 2017 are set out in the following table:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**224,406**	252,265
Customer B	**89,624**	86,910

The above sales to major customers include sales to a group of entities which are known to be under common control with those customers.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue:		
Sales of goods	**802,889**	773,970
Sales of materials	**27,806**	32,203
	830,695	806,173
Other income and gains:		
Rental income	**5,439**	14,129
Foreign exchange gain	**3,313**	—
Gain on disposal of an associate	**3,185**	—
Compensation income	**1,666**	268
Government grants	**1,500**	601
Gain on sales of scrap materials	**411**	629
Gain on disposal of property, plant and equipment	**34**	22
Others	**579**	760
	16,127	16,409

6. FINANCE INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**3,729**	3,705

7. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expenses	**596,206**	591,302
Depreciation of property, plant and equipment	**34,927**	34,893
Depreciation of investment properties	**1,253**	1,152
Amortisation of prepaid land lease payments	**2,170**	1,895
Amortisation of intangible assets	**605**	285
Research and development costs	**28,830**	26,800
Lease payments under operating leases in respect of properties	**7,089**	6,236
Auditor's remuneration	**1,300**	1,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**88,562**	78,907
Pension scheme contributions	**9,256**	8,247
	97,818	87,154
Gross rental income	**(8,996)**	(15,498)
Less: Direct expenses that generated rental income	**3,557**	1,369
Rental income, net	**(5,439)**	(14,129)
Foreign exchange difference, net	**(3,313)**	1,123
Provision for/(reversal of) impairment of receivables	**1,251**	(332)
(Reversal of)/provision for inventories written down	**(7,579)**	71
Gain on disposal of items of property, plant and equipment	**(34)**	(22)
Interest income	**(3,729)**	(3,705)

8. INCOME TAX EXPENSE

Major components of the Group's income tax expense for the period are as follows:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
— Charge for the period	**19,219**	18,481
Deferred income tax	**570**	(1,345)
Total tax charge for the period	**19,789**	17,136

9. DIVIDENDS PAID AND PROPOSED

The board has resolved to declare an interim dividend of HK0.3536 cent per share, amounting to a total of approximately RMB5,306,000 based on the 1,769,193,800 ordinary shares as at the date of this announcement for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the period is based on the consolidated net profit attributable to owners of the parent and the weighted average number of ordinary shares of 1,768,990,000 in issue during the six months ended 30 June 2017 (30 June 2016: 1,765,500,000).

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic and diluted earnings per share calculation	**53,058**	34,721

	For the six months ended 30 June Number of shares	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,768,990,000**	1,765,500,000*
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	16,782,000*
	1,768,990,000	1,782,282,000*

* Adjusted for bonus issue on the basis of one (1) share for each existing ten shares in issue on 26 June 2017.

11. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with a total cost of RMB61,567,000 (30 June 2016: RMB63,934,000).

Included in the property, plant and equipment as at 30 June 2017 were certain buildings with a net carrying value of RMB123,596,000 (31 December 2016: RMB170,151,000), of which the property ownership certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2017.

Certain of the Group's buildings with a net carrying value of RMB10,281,000 as at 30 June 2017 (31 December 2016: RMB10,655,000) were pledged to secure bank loans granted to the Group.

During the six months ended 30 June 2017, the Group has acquired prepaid land lease payments of RMB1,746,000 (30 June 2016: RMB21,430,000).

Included in the prepaid land lease payments as at 30 June 2017 were certain lands with a net book value of RMB5,541,000 (31 December 2016: RMB10,596,000) of which the land use right certificates have not been obtained. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above mentioned land. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 30 June 2017.

Certain of the Group's prepaid land lease payments with a carrying value of RMB44,590,000 as at 30 June 2017 (31 December 2016: RMB45,158,000) were pledged to secure bank loans granted to the Group.

12. TRADE AND NOTES RECEIVABLES

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade receivables	**479,101**	519,871
Notes receivable	**59,036**	51,932
	538,137	571,803
Impairment of the trade receivables	**(4,777)**	(3,526)
	533,360	568,277

The Group's trading terms with its customers are mainly on credit. The credit period is from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable all age within six months and are neither past due nor impaired.

An aged analysis of the trade receivables of the Group, based on the invoice date and net of impairment loss, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**445,639**	485,461
3 to 6 months	**19,102**	26,444
6 months to 1 year	**7,262**	3,576
Over 1 year	**2,321**	864
	474,324	516,345

13. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 30 June 2017, based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**435,843**	442,083
3 to 12 months	**143,190**	144,350
1 to 2 years	**1,611**	1,048
2 to 3 years	**407**	940
Over 3 years	**2,134**	2,227
	583,185	590,648

The trade payables due to third parties are non-interest-bearing and normally settled on terms of 30 to 90 days. Notes payable are generally with a maturity period of six months.

Notes payable were secured by certain of the Group's pledged deposits of RMB55,688,000 as at 30 June 2017 (31 December 2016: RMB50,196,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND MARKET REVIEW

The Group is principally engaged in the manufacture and sale of automotive internal and external structural and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners or heaters and other non-automotive products.

In the first half of 2017, the automobile industry has recorded another year of stable growth. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 13.53 million vehicles were manufactured and over 13.35 million vehicles were sold in the first half of 2017, representing a growth of 4.6% and 3.8%, respectively.

The sales volume of the top ten automobile manufacturers reached approximately 11.8 million units during the first half of 2017, accounting for 88.5% of the overall vehicle sales in China. Out of the top ten automobile manufacturers of which six of them have established business relationships with Huazhong Group. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

For the six months ended 30 June 2017, the Group's revenue was approximately RMB830,695,000, representing an increase of approximately 3.0% as compared to approximately RMB806,173,000 for the six months ended 30 June 2016. Profit attributable to the owners of the parent for the six months ended 30 June 2017 was approximately RMB53,058,000, representing an increase of approximately 52.8% as compared to RMB34,721,000 for the six months ended 30 June 2016.

The new manufacturing facilities in Tianjin and Qingdao are under construction and are expected to be completed and commence production later this year.

FINANCIAL REVIEW

Revenue

The revenue of the Group was primarily derived from five categories of products:

(i) automotive interior and exterior structural and decorative parts;

(ii) moulds and tooling;

(iii) casings and liquid tanks of air conditioners and heaters;

(iv) non-automotive products; and

(v) sale of raw materials.

	For the six months ended 30 June			
	2017		2016	
	Revenue (Unaudited)	**Gross profit margin**	Revenue (Unaudited)	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Automotive interior and exterior structural and decorative parts	**629,464**	**31.9**	607,286	30.3
Moulds and tooling	**44,620**	**17.5**	39,874	16.0
Casings and liquid tanks of air conditioners and heaters	**97,281**	**18.7**	89,119	16.7
Non-automotive products	**31,524**	**21.0**	37,691	21.8
Sale of raw materials	**27,806**	**3.4**	32,203	5.0
Total	**830,695**	**28.2**	806,173	26.7

For the six months ended 30 June 2017, the total revenue generated from automotive interior and exterior structural and decorative parts was RMB629,464,000 (30 June 2016: RMB607,286,000), accounting for 75.8% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 75.3%). The increase was primarily because of the expansion of new market and customers. Gross profit margin increased slightly from 30.3% for the six months ended 30 June 2016 to 31.9% for the six months ended 30 June 2017.

For the six months ended 30 June 2017, revenue from moulds and tooling was RMB44,620,000 (30 June 2016: RMB39,874,000), accounting for 5.4% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 4.9%). Gross profit margin increased from 16.0% for the six months ended 30 June 2016 to 17.5% for the six months ended 30 June 2017. The increase in gross profit margin was mainly due to an increase of operating efficiency during the period.

For the six months ended 30 June 2017, revenue from casings and liquid tanks of air conditioners and heaters was RMB97,281,000 (30 June 2016: RMB89,119,000), accounting for 11.7% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 11.1%). Gross profit margin increased from 16.7% for the six months ended 30 June 2016 to 18.7% for the six months ended 30 June 2017.

For the six months ended 30 June 2017, revenue from non-automotive products was RMB31,524,000 (30 June 2016: RMB37,691,000), accounting for 3.8% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 4.7%). Gross profit margin decreased slightly from 21.8% for the six months ended 30 June 2016 to 21.0% for the six months ended 30 June 2017.

For the six months ended 30 June 2017, revenue from sale of raw materials was RMB27,806,000 (30 June 2016: RMB32,203,000), accounting for 3.3% of the Group's total revenue for the six months ended 30 June 2017 (30 June 2016: 4.0%). The gross profit margin was 3.4% for the six months ended 30 June 2017, which recorded a decrease as compared to the corresponding period in 2016.

For the six months ended 30 June 2017, the overall gross profit margin increased slightly to 28.2% (30 June 2016: 26.7%).

Other income and gains

Other income and gains of the Group for the six months ended 30 June 2017 amounted to RMB16,127,000 (30 June 2016: RMB16,409,000), representing a slight decrease of approximately 1.7% as compared to the corresponding period in 2016.

Selling and Distribution Costs

The Group's selling and distribution costs for the six months ended 30 June 2017 amounted to approximately RMB59,351,000, representing an increase of approximately 7.0% as compared to RMB55,481,000 in the corresponding period in 2016. The increase was mainly due to the increase in packing expenses as a result of the increase in sales volume.

Administrative Expenses

The Group's administrative expenses for the six months ended 30 June 2017 amounted to approximately RMB101,017,000, representing an increase of approximately 4.8% as compared to RMB96,415,000 in the corresponding period in 2016. This was mainly attributable to the increase of other miscellaneous tax expenses such as city construction tax during the period.

Share of Profits or Losses of Joint Ventures

During the six months ended 30 June 2017, the Group recorded RMB5,093,000 of the share of profits of joint ventures, while a share of loss of joint ventures of RMB2,086,000 was recorded for the six months ended 30 June 2016. The change was primarily due to implementation of cost control during the period.

Finance Income

The Group's finance income increased slightly by approximately 0.6% from approximately RMB3,705,000 for the six months ended 30 June 2016 to approximately RMB3,729,000 for the six months ended 30 June 2017. The increase in finance income was mainly attributable to the increase in average cash and bank balance.

Finance Costs

The Group's finance costs increased from approximately RMB21,178,000 for the six months ended 30 June 2016 to approximately RMB21,787,000 for the six months ended 30 June 2017, representing an increase of approximately 2.9%. The increase in finance costs was mainly due to the increase in average bank borrowings during the period.

Taxes

The Group's tax expenses increased by approximately 15.5% from approximately RMB17,136,000 for the six months ended 30 June 2016 to approximately RMB19,789,000 for the six months ended 30 June 2017. The increase was mainly due to the increase in taxable profits in the six months ended 30 June 2017 as compared to the corresponding period in 2016.

Liquidity and Financial Resources

For the six months ended 30 June 2017, the net cash generated from operating activities amounted to approximately RMB120,227,000 (30 June 2016: net cash generated from operating activities RMB101,428,000). The cash generated from operating activities mainly resulted from a decrease in trade and notes receivables, and an increase in inventories and prepayments and other receivables.

The net cash used in investing activities amounted to approximately RMB98,396,000 (30 June 2016: net cash used in investing activities of approximately RMB78,143,000) and the net cash flow generated from financing activities amounted to approximately RMB13,191,000 (30 June 2016: net cash flow generated from financing activities of approximately RMB9,225,000). The cash used in investing activities was mainly attributable to the payment for purchase of property, plant and machinery and land use right. The net cash generated from financing activities was mainly attributable to new bank loans.

As a result of the cumulative effect described above, the Group recorded a net cash inflow of RMB35,022,000 for the six months ended 30 June 2017 (30 June 2016: net cash inflow of RMB32,510,000).

As at 30 June 2017, the Group's cash and cash equivalents (comprise cash on hand and at banks, including non-pledged time deposits) amounted to approximately RMB224,070,000 (31 December 2016: approximately RMB187,987,000).

As at 30 June 2017, the Group's interest-bearing bank borrowings were approximately RMB874,203,000 (31 December 2016: approximately RMB791,720,000), among of which, RMB650,204,000 would be due within one year (31 December 2016: RMB509,388,000). The borrowings of the Group were subject to interests payable at rates ranging from 2.20% to 6.72% per annum. The Board of the Company expects that the bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

Capital Commitments

As at 30 June 2017, the Group had capital commitments amounting to RMB203,066,000 (31 December 2016: RMB208,619,000) for the acquisition of property, plant and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group are mainly denominated in Renminbi and Euro. The cash and cash equivalents of the Group are mainly denominated in Renminbi, Hong Kong dollars and Euro. The borrowings are denominated in Renminbi, USD and Euro. Since the Group's exposure to fluctuations in foreign exchange rates was immaterial, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging against any foreign exchange risk if such becomes significant to the Group.

Capital Structure

On 11 January 2017, 3,358,000 ordinary shares were issued pursuant to exercise of share options at the price of HK$0.56.

Bonus Issue

On 26 June 2017, 160,835,800 ordinary shares were issued pursuant to the bonus issue of shares on the basis of one (1) bonus share for every ten existing shares in issue on 16 June 2017.

The total number of issued and fully paid ordinary shares of the Company as at 30 June 2017 was 1,769,193,800.

Contingent Liabilities

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

Pledge of Assets

As at 30 June 2017, the Group's assets of approximately RMB140,172,000 (31 December 2016: approximately RMB95,765,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book values of the pledged assets are set out below:

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Property, plant and equipment	**10,281**	10,655
Investment property	**2,508**	2,632
Prepaid land lease payments	**44,590**	45,158
Pledged deposits	**82,419**	37,320
Total	**139,798**	95,765

As at 30 June 2017, deposits with a total book value of approximately RMB55,688,000 (31 December 2016: approximately RMB50,196,000) were pledged to secure the issue of notes payable.

Gearing Ratio

As at 30 June 2017, the Group's gearing ratio was approximately 66.4% (31 December 2016: 67.9%). The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the period under review.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Future Plans for Material Investments or Capital Assets

During the period under review, the Group did not have any significant investments or acquisition or sale of subsidiaries. There was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this interim announcement.

Employees and Remuneration Policies

As at 30 June 2017, the Group had 2,611 employees (30 June 2016: 2,559). Total staff costs of the Group (excluding directors' and chief executive's remuneration) for six months ended 30 June 2017 was approximately RMB97,818,000 (30 June 2016: approximately RMB87,154,000). The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

PROSPECT

Outlook

During the first half of year 2017, the development of China's economy continued to be improved with a slight slowdown in certain segments. In the long run, China's automobile industry is expected to grow steadily in the coming years. As it can be seen from the data of first half 2017, the auto industry successfully maintained stable growth. According to CAAM, the sales volume for the period from January to June 2017 increased by 3.8% compared with the same period of last year. The sales volume is estimated to grow continuously during the second half of the year.

The growth of vehicle fleet has placed enormous pressure on China's energy supply and environment. Therefore, automobile manufacturers are paying more and more efforts to produce lightweight vehicles that reduce energy-consumption and pollutant emission.

Plastics, being the most important automotive lightweight material, have thus seen strong growth potential. With the continuous technology advancement to improve its strengths, tensile properties and hardness, plastic applications in automobile manufacturing has moved from decorative parts to functional structures, such as bumpers, bonnet components and automobile skeleton.

The Group will continue to implement its development strategy of "committing to product research and development and engineering and implementing strategic investments", and become a leading automobile body parts manufacturer in China in terms of reputation and market share.

Last but not the least, we wish to re-affirm that maximization of shareholder value, whilst adhering to the highest standards of corporate governance, will always remain our top priority.

Forward Looking Statements

This management discussion and analysis contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers including shareholders and investors should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward looking statement.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as the code of the Company.

The Board is of the view that the Company has complied with all applicable code provisions set out in the CG Code throughout the six months ended 30 June 2017, except for the following deviations:

Code Provisions A.6.7 and E.1.2

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting.

Mr. Zhou Minfeng (the chairman of the Board), four non-executive Directors and two independent non-executive Directors were unable to attend the Company's annual general meeting held on 7 June 2017 due to their other business engagement.

A full description of the Company's corporate governance will be set out in the 2017 Interim Report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the six months ended 30 June 2017, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

INTERIM DIVIDENDS

On 30 August 2017, the Board has resolved to declare an interim dividend of HK0.3536 cent (equivalent to approximately RMB0.2999 cent at exchange rate 1: 0.84823) per ordinary share of the Company for the six months ended 30 June 2017 (30 June 2016: Nil). The interim dividend will be payable to the shareholders of the Company whose names appear on the register of members of the Company on 21 September 2017 and such payment is expected to be made on or around 27 October 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 18 September 2017 to 21 September 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 15 September 2017.

AUDIT COMMITTEE

During the six months ended 30 June 2017, the audit committee of the Company (the "**Audit Committee**") consisted of three members, namely Mr. Yu Shuli (chairman), Mr. Tian Yushi and Mr. Xu Jiali, all of them were the independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee and the Audit Committee is of the view that the announcement of interim results for the six months ended 30 June 2017 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

Disclosure of financial information in this announcement complies with Appendix 16 of the Listing Rules. The Audit Committee supervised over the Group's financial reporting process.

APPRECIATION

The Chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advices and guidance, and to each and everyone of the staff of the Group for their hard work and loyalty to the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cn-huazhong.com). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Huazhong In-Vehicle Holdings Company Limited
Zhou Minfeng
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the executive Directors are Mr. Zhou Minfeng, Mr. Liu Genyu and Mr. Chang Jingzhou; the non-executive Directors are Ms. Lai Cairong, Mr. Wang Yuming, Mr. He Jifeng and Mr. Guan Xin; and the independent non-executive Directors are Mr. Wong Luen Cheung Andrew, Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.